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RULES PROCESSING TEAM

OCT 13 2000



PHILLIPS PETROLEUM COMPANY

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WORLDWIDE EXPLORATION DIVISION

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October 12, 2000

Department of the Interior
Minerals Management Service
Mail Stop 4024
381 Elden Street
Herndon, Virginia 20170-4814

Attention: Rules Processing Team

Re: Minerals Management Service Proposed Rule,
Outer Continental Shelf Oil and Gas Leasing
65 FR 55476-55489, September 14, 2000

Dear Sir or Madam:

Phillips appreciates the opportunity to provide comments on the above referenced Minerals Management Service proposed regulation.

For many years, Phillips has been active in exploration and development of hydrocarbons in the Gulf of Mexico. In 1996, we began acquiring deepwater leases, first through a joint venture and then through participation in the OCS lease sales. Phillips currently has a working interest ownership in one hundred and fifteen (115) oil and gas leases in water depths of 200 meters or greater within the OCS Gulf of Mexico and is awaiting Phase 2 evaluation on four additional deepwater blocks as a result of OCS Sale 177. Outside of Alaska, the deepwater Gulf of Mexico has become our primary focus area in the United States for finding new reserves.

We have, therefore, been following with great interest the constructive dialog between the Minerals Management Service and the American Petroleum Institute (API), the National Ocean Industries Association (NOIA), the Independent Petroleum Association of America (IPAA), the Domestic Petroleum Council (DPC) and the U.S. Oil and Gas Association (USOGA) regarding the future of royalty relief. As such, Phillips fully supports the joint comments submitted by these associations which address the specific questions raised by the MMS in the Proposed Rule, as well as API's comments which were made in addition thereto.

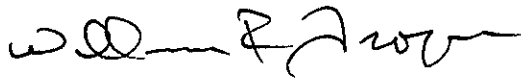
The deepwater OCS is a major financial investment for Phillips and is entered into with great care and planning. It is critical to us that regulations, such as deepwater royalty relief and the suspension volumes contained therein, remain stable for extended periods. Therefore, we are concerned with your proposal to reserve until the annual lease sale notices the size and scope of the royalty suspensions. Our success in being able to receive corporate funding for the OCS over the years has been the relative certainty in our ability to plan for the long term. Awaiting each lease sale notice to find out if there will be royalty suspensions on deepwater prospects that we have been evaluating may not allow us enough time to complete our economics, seek corporate approvals and receive funding for placing competitive bids for those prospects. In addition, it hinders our budget forecasting for the Gulf of Mexico, which must compete with other exploration opportunities around the world.

Your proposal states that you "expect" the royalty suspension volumes to be in place for at least 3 years. This is not the certainty which was previously in place. For the reasons mentioned above, it is our strong preference for royalty relief, with specific royalty suspensions to be in place for five year terms, perhaps coinciding with each new five year OCS Leasing Program.

Again, we appreciate the opportunity to provide comments and thank you for your consideration of our views.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

A handwritten signature in black ink, appearing to read 'William R. Trojan', with a stylized flourish at the end.

William R. Trojan
Worldwide Deepwater Exploration Manager